

## Governance and public administration in the context of Croatian accession to the European Union

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## Chapter 6

# GOVERNANCE AND PUBLIC ADMINISTRATION IN THE CONTEXT OF CROATIAN ACCESSION TO THE EUROPEAN UNION

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And so although I was to begin filled with the desire for political action, when I observed this state of affairs and saw the general confusion, I at last felt dizzy from it all. I did not, it is true, cease to think how these conditions themselves and the whole of the government of the state could be improved, but I waited for a suitable occasion for action of my own. In the end I became convinced that all current states have a bad government, because their lawgiving is incorrigible if there is no uncommon exploit aided by fortune.

*(Plato, Seventh Epistle/Letter)*

## ABSTRACT

This paper analyses the quality of governance and public administration as key determinants for successful functioning within the European Union (EU). A comparison between Croatia and future and present EU members is made, according to separate governance indicators (rule of law, democracy, corruption, political stability, government effectiveness) and experience in reform of the public administration. The paper shows that Croatia by all quality of governance indicators,

particularly with respect to the rule of law, lags considerably behind the EU and the Central Europe candidate countries. The low level of the rule of law in combination with an inadequate public administration is potentially the greatest obstacle in Croatia's accession to the EU as well as in the creation of sustainable economic and social development.

**Key words:**

governance, public administration, institutions, government, economic development, Croatia, European Union

## INTRODUCTION

Since all countries, including those in the EU, have as their objectives a standard of living that is as high as possible, it is understandable why increased attention is directed towards governance. In the last dozen years there has been growing awareness that good governance is the key determinant of the ability to attain sustainable economic and social development. There is ever more evidence that for development it is not enough just to hit upon the appropriate policy, but it is also necessary to have a good institutional structure. A good institutional structure implies the existence of an environment that enables effective implementation of a given policy and that encourages individuals to invest in capital, education and technology – the factors behind economic growth.

Governance refers primarily to government, and one of the pillars of government is the public administration. It has been shown that it has been precisely this that has been one of the main barriers to successful transition to a democratic society and a market economy. Its transformation and modernisation in line with the principles of good governance are becoming particularly important in the context of European integration because strong administrative capacities are necessary for the whole of the process to be successfully concluded.

At the beginning of the paper there is an explanation of the concept of governance and its connection with public administration. After citation of those conditions for EU membership that are related to the subject of the paper, the quality of governance and public administration in Croatia is described and a comparison with the EU average, with selected candidate countries and the less developed countries of the EU

is given. The quality of governance is assessed according to the following indicators: rule of law, development of democracy, spread of corruption, political stability and effectiveness of government. The paper briefly describes the experience of some European countries in the reform of the public administration. At the very end a summary of the key problems of governance and public administration in Croatia on the road to the EU is offered and some concrete recommendations for their solution are provided.

## GOVERNANCE AND PUBLIC ADMINISTRATION

It is quite difficult to reply to the simple question: what exactly is governance? There is no consensus about a definition, although all start out from the idea that it is about something that has a complex historical, political and social/cultural background, and hence requires an interdisciplinary approach. The narrowest definition is: *the science about government and its performance* (Dethier 1999:5). The World Bank, which was the first to give prominence to the role of governance,<sup>i</sup> describes it as *the manner in which authority is exercised in the management of country's economic and social resources for development* (World Bank, 1992:1). It might be characterised as the capacity of the formal and informal institutional environment (in which individuals, social groups, civil associations and government officials and employees interact) to apply and carry through a given government policy and to improve coordination in the private sector (Ahrens, 2002:128). Thus the key words are institutions and government, and the questions that dominate are how, and how well.<sup>ii</sup> From these sentences one can see that there is no totally adequate translation for this concept in Croatian publications, although there have been some attempts.<sup>iii</sup>

All these definitions rely on a single empirical fact: identical reform measures that governments undertake have different results in different countries. It seems extremely likely that the different quality of the governance involved is very largely responsible for this. In other words, countries with better governance should be able to achieve their development aims more easily and effectively. Research has pointed out that such countries do indeed have a higher per capita income and better other indicators of development.<sup>iv</sup>

Government consists of three pillars: the economic, political and administrative pillar (UNDP, 1997). The economic refers to the process of making decisions that affect the economic activities of the country and its relations with other countries. The political pillar is the process of forming policy according to decisions that have been made, and the administrative relates to the implementation of this policy. This administrative pillar is embodied in the public administration. Governance describes how authority is exercised, and the public administration possesses part of this authority. Accordingly, an evaluation of governance, as good or bad, depends to an extent on the successfulness of the work of the public administration.

The next question follows logically. How do we know whether governance is good, that is, how can it be identified or recognised? And what anyway are the criteria in general for defining something as good and how can it be measured?

The elements through which the use of authority in the process of the management of resources for development, which is actually governance, are: political stability, effectiveness of the government, rule of law, development of democracy, spread of corruption, the magnitude of administrative obstacles, and others. Those countries that have these elements formed in such a way as to promote development can be said to have good governance.

Naturally, the government does not work in a vacuum: the success of its action depends on the interaction with the private sector and civil society.<sup>v</sup> Encouraging the partnership process among them improves the quality of provision of services, increases social accountability and ensures vigorous civil participation in the decision-making (UNDP, 2003). How successful the government is in achieving economic development depends on historical variables that are not under its direct control, such as for example the ethnic heterogeneity of the population, the origin of the legal system of the country and the confessional composition of the population (La Porta et al., 1999).

Governance can be measured reliably with great difficulty. In spite of this, the number of databases is ever greater. These are mainly indicators that are based on subjective perceptions of commercial agencies for risk rating (BERI, PRS), non-governmental associations (Freedom House, Heritage Foundation, World Economic Forum, Transparency International) and multilateral organisations such as the WB, the EBRD, and the UNDP. These indicators are only estimates and for this reason they need to be used circumspectly. They show the

relative position of some country quite well, but do not describe very precisely the trends for a given country. The problems are that the individual indicators overlap, that Croatia does not figure in many of the sources, and that there is no methodological harmonisation in the different sources. Regular or annual research hardly exists at all, and the transitional countries have only been included in it since the mid-1990s. In this work governance indicators are used so that an outline impression might be gathered of the position of Croatia relative to the EU and to the candidate countries. So as to enhance the credibility, an endeavour is made to back up all the findings with the European Commission Report on Croatia.

## **CONDITIONS FOR THE ACCESSION TO THE EUROPEAN UNION**

The Copenhagen criteria for full membership in the EU stipulate: (1) stability of the institutions that provide for democracy, rule of law and order, respect for human and minority rights; and (2) ability to take on the obligations that are entailed by membership. From the point of view of this paper these two criteria are the fundamental conditions for the accession of new members. In the sequel it is explained how governance and public administration fit in, and then the assistance provided by the EU to Croatia in meeting the membership criteria is described.

### **Governance**

There is no single document that states what the governance of future member states should be like. However, the EU constantly lays stress upon the importance of democracy and the rule of law (the first Copenhagen criteria) and these are also elements for the evaluation of the quality of governance. To strengthen these, the EU proposes the following principles:

- openness in communications with the public, and transparency;
- more vigorous involvement of the public in the running of policies;
- increased accountability of those in charge of policies;

- effectiveness in the execution of policies;
- harmonisation of all measures of policies and levels of government so as to achieve consistency.<sup>vi</sup>

The first four are also the most frequently mentioned principles of good governance.

It is important to mention that the EU can act as initiator of improvement of the quality of governance, but it too is not immune to weakness in governance. In the EU countries too, and not just in the transition countries, there is an increasing lack of public trust in institutions and unwillingness to be involved in politics (Commission of the European Communities, 2001:3). For this reason the objective of the EU is to make policy making as open as possible in both present and future member states. There is a wish to give ever greater roles to the organisations of civil society so that the services provided should be to the maximum adapted to the needs of citizens. The picture of civil society should not be too rosy, because it too can contribute to poor governance quality, but this, because of the extensiveness of the topic, is not the subject of this paper.

## **Public administration**

Entry into the EU puts great pressure on the public administration. How well some country can function within the EU will depend on the quality of its civil service. There are no details about the demands made on future members in terms of this question. This fact is not surprising, because at EU level there are no clear rules and regulations that are uniformly applied in the public administrations of the individual countries. What is stressed in negotiations with the future member states is the need to raise administrative capacities (the supplemented second Copenhagen criterion),<sup>vii</sup> for which the EU provides assistance. An improvement is required in the capacities of public sector organisations to perform their tasks effectively in the development process, keeping to the principles of good governance. Reinforcement of the public administration (the enhancement of its effectiveness) is necessary so that the pertinent ministries and other bodies should be ready to put into effect the various legislative reforms the country has committed to. Similarly, it is essential for a member country to have quality representatives in Brussels, who in the endeavour to derive ben-

efits for their own country have to cope with the competition of representatives of other administrations. The improvement of the public administration (its reform) is in the long-term interest of a future member; it should not be understood primarily as pressure from the EU.

Why is the public administration in general so important? This is because it is the civil service or some other organisations that have to put into effect the decisions that are made by the policy makers. If among those who implement the policy there are persons or groups that have their own agenda, or that consider the implementation of the policy will injure them, then the whole procedure of political change or implementation will be impeded. In the process of the application of the policy, the meaning of it can be changed to such an extent that the final result will be different from what was expected. The same thing will happen if corruption is widespread in the public administration or if the personnel are incompetent. In such cases senior and junior members of the civil service privatise the use of the instruments of policy for their own benefit (Tanzi, 1997:6). Put simply, the public administration can place constraints on the effectiveness of governmental intervention; it can greatly cooperate in the work of development, but can also be an enormous hindrance.

## **European Union assistance to Croatia**

The EU assists Croatia via the CARDS programme to meet its obligations according to the SAA. The priorities of the programme are:

- democratic stabilisation;
- economic and social development;
- justice and home affairs;
- reform of the public administration;
- conservation of the environment and natural resources (MEI, 2003a).

From the point of view of this paper, the first, third and fourth elements of the programme are particularly interesting, looked at not only from the viewpoint of harmonisation with EU standards but also, partly at least, with the objective of seeing the possibility for achieving the second priority stated: sustainable economic and social development.<sup>viii</sup>

In CARDS documents democratic stabilisation is concentrated on civil society and on promoting democracy and political rights. In the



domain of the judiciary, the objective of CARDS is the modernisation of the courts, that is, support to the more effective work and functioning of the Croatian judiciary.

As for the public administrations of the countries in the SAA, the European Commission has clearly identified the reform of them as one of the priority areas to which resources from the CARDS assistance programme will be directed. For the 2001-2004 period, 23 million euros have been earmarked for assistance to the reform of the public administration in Croatia, which includes assistance to reform of the civil service, enhancing administrative capacity in SAA priority regions, and enhancing competence at lower levels of government, as well as measures for the fight against corruption (MEI, 2003b). The basic objects of the public administration reform project are:

- improving the legislative framework regulating the work of the public administration, the aim being to achieve as great transparency in hiring, promotion and the salaries system as possible;
- enhancing the institutional capacities of the Ministry of Justice, Administration and Local Self-Government and other institutions crucial for the management of the public administration; and
- professional further training of civil servants.<sup>ix</sup>

## **GOVERNANCE AND PUBLIC ADMINISTRATION IN CROATIA**

In this part of the paper the quality of governance is analysed via indicators that evaluate the rule of law, the development of democracy, corruption, political stability and the effectiveness of the government. Why have precisely these indicators been selected? The presence of rule of law and democracy derives from the Copenhagen criteria. Corruption indicates the level of transparency (an EU principle of good governance), and also is an essential element in the evaluation of the quality of the public administration. Political stability is a precondition for effectiveness and consistency in the execution of policy (also a principle of the EU). The indicator of state effectiveness is included because it contains elements that are particular for the evaluation of the work of the public administration. In an analysis of the public administration the emphasis is placed on the vulnerable spots, because Croatia is faced with the reform of the public administration (which is urged by

the European Commission). For this reason, in the next chapter, the experience of selected countries in the reform of the public administration is briefly described.

## **Rule of Law**

The SAA clearly emphasises the importance of the consolidation of the rule of law. It is necessary for the full functioning of the market economy (creating an environment that stimulates economic development) and for limiting the arbitrary and opportunistic actions of those in charge of the policy. In the European Commission Report on Croatia (MEI, 2003c:5) the functioning of the judiciary and the inadequate implementation of the law are mentioned as serious problems. In November 2002 the Government adopted its Green Paper on the reform of the justice system, and at the same time augmented the national budget for 2003 in order to be able to carry out this reform. However, the 1,300,000-strong backlog of civil causes is still there. According to the report of the Commission, the Croatian judiciary is short on personnel with appropriate qualifications, an appropriate system for professional training, and a proper distribution of judicial and administrative matters in the courts. Judges spend almost a quarter of their time on administrative matters. Even the European Court of Human Rights has censured Croatia for the dilatoriness of the justice system. All this is aggravated by the fact that the Justice Ministry cannot absorb the assistance provided within the CARDS programme context to solve the failures noted. In order to acquire an insight into the relative position of Croatia vis-à-vis the EU and the candidate countries, in the sequel the indicators for the “protection of property rights” and aggregate indicators for the “rule of law” will be used.

The Heritage Foundation has set up an index of economic freedom, a component part and indicator of which is “property rights”. It starts out from the assumption that individuals who consider their property rights protected will be more prepared to save, to invest, to make long-term plans and hence contribute to economic growth. The indicator evaluates the degree of protection of private rights of ownership, implementation of the laws that protect these rights, the independence of the judiciary and corruption within the judiciary. The protection of property rights inside Croatia is considered poor, very distant indeed from the European average, worse than in all the candidate countries

(Table 1). The grading of 4 for Croatia means the following: protection of private property is poor, the courts are inefficient and subject to political influence, corruption is widespread, and there is also the possibility of expropriation. Of the countries observed, only Romania has poorer results, and among the EU countries, Greece sticks out.

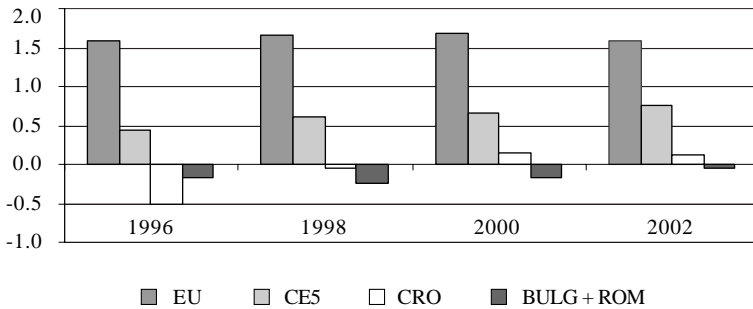
*Table 1 Protection of rights of property*

Country	1996	1997	1998	1999	2000	2001	2002	2003
Greece	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0
Portugal	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Spain	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
EU average	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Bulgaria	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Estonia	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Czech Republic	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Croatia	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Latvia	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Lithuania	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Hungary	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Poland	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Romania	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Slovakia	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Slovenia	4.0	3.0	2.0	2.0	2.0	2.0	3.0	3.0

*\*Values range from 1 to 5, 1 being the best.*

*Source: Heritage Foundation (2003)*

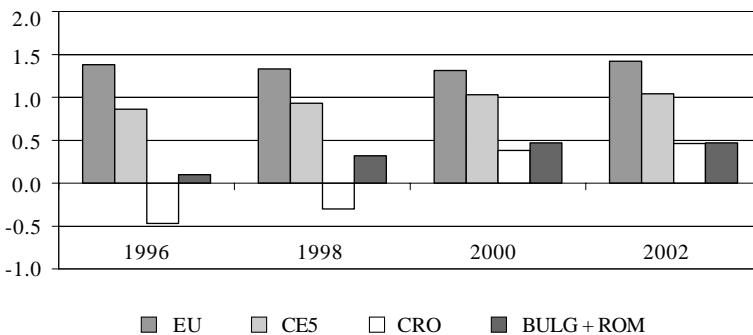
The aggregate indicator “rule of law” evaluates the extent to which the rules of society are respected, and it includes a perception about the incidence of crime, the effectiveness of the courts and the enforceability of contracts. From Graph 1 it can be seen quite clearly to what an extent Croatia lags behind the EU, even if it is in front of Bulgaria and Romania.<sup>x</sup>

*Graph 1 The rule of law*

Source: Kaufmann [et al.] (2003:89-91)<sup>xi</sup>

## Democracy

The general evaluation of the European Commission for Croatia is that democratic institutions work well and that human rights and basic liberties are in general respected (MEI, 2003c:6). In the sequel there is a review of indicators that give an insight into how much respect there is for the principles of openness, civil participation in the running of policies, transparency and accountability. Graph 2 contains indicators that aggregate political rights, civil liberties and freedom of the media – essential elements for controlling those who are in power and holding them accountable for their procedures.<sup>xii</sup> Croatia has made significant advances in this area in the last few years, but is still significantly behind the EU.

*Graph 2 Civil participation in the process of policy making*

Source: Kaufmann [et al.] (2003:89-91)

Table 2 Political rights, civil liberties, degree of liberty

Country	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Greece	1,2,F	1,3,F	1,3,F	1,3,F	1,3,F	1,3,F	1,3,F	1,3,F	1,3,F	1,3,F
Portugal	1,1,F	1,1,F	1,1,F	1,1,F	1,1,F	1,1,F	1,1,F	1,1,F	1,1,F	1,1,F
Spain	1,1,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F
EU average	1,1,3,F	1,1,6,F	1,1,5,F	1,1,5,F	1,1,5,F	1,1,5,F	1,1,5,F	1,1,5,F	1,1,5,F	1,1,5,F
Bulgaria	2,3,F	2,2,F	2,2,F	2,2,F	2,3,F	2,3,F	2,3,F	2,3,F	2,3,F	1,3,F
Czech Republic	2,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F
Estonia	2,3,F	3,3,PF	3,2,F	3,2,F	2,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F
Croatia	4,4,PF	4,4,PF	4,4,PF	4,4,PF	4,4,PF	4,4,PF	4,4,PF	4,4,PF	2,3,F	3,2,F
Latvia	2,3,F	3,3,PF	3,3,PF	3,2,F	2,2,F	2,2,F	1,2,F	1,2,F	1,2,F	1,2,F
Lithuania	2,3,F	2,3,F	1,3,F	1,3,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F
Hungary	2,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F
Poland	2,2,F	2,2,F	2,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F
Romania	4,4,PF	4,4,PF	4,3,PF	4,3,PF	2,3,F	2,2,F	2,2,F	2,2,F	2,2,F	2,2,F
Slovakia	2,2,F	3,4,PF	2,3,F	2,3,F	2,4,PF	2,4,PF	2,2,F	1,2,F	1,2,F	1,2,F
Slovenia	2,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F	1,2,F

\*The first number relates to political rights, the second to civil liberties, and the markings F, PF and NF are free, partly free and not free. The index ranges from 1 to 7, 1 being the best result. For more information about the methodology, see: <http://www.freedomhouse.org/research/freeworld/2002/methodology.htm>

Source: Freedom House (2003a)

Freedom House evaluates these control mechanisms individually. The political rights indicator assesses the ability of citizens to take a free part in the political process, and the indicator “civil liberty” includes freedoms of thought, expression, association and human rights, and the rule of law. Table 2 shows that Croatia is categorised as a “free” country, although as compared with EU countries and the candidate countries it lags where political rights are concerned. However, here too an advance can be seen as compared with the 1993 to 2000 period, in which the country was classified as “partly free”. In the group of less developed EU countries, Greece again stands out with a level of civil liberties below the EU average.

In order to obtain a distinct insight into the state of Croatian media, the indicator *media freedom* is used. The criteria for the formation of this indicator are: the legal environment in which the media work, the degree to which media are independent of state ownership and influence, economic pressure on the contents of news and various limitations on press freedom. Table 3 shows that in 2002 the Croatian media were characterised as partially free, but again this was a considerable advance as against 1994. Among the candidate countries, Estonia, Poland and Slovenia are closest to the EU average.

*Table 3 Media freedom*

Country	1994	1995	1996	1997	1998	1999	2000	2001	2002
Greece	30	26	29	27	30	30	30	30	30
Portugal	18	16	17	17	17	17	17	17	15
Spain	14	23	17	19	17	21	18	20	17
EU average	16.5	17.6	17.6	16.5	16.7	17	16.7	16.3	16.3
Bulgaria	43	39	46	44	36	39	30	26	29
Czech Republic	20	21	19	19	19	20	20	24	25
Estonia	28	25	24	22	20	20	20	20	18
Croatia	56	56	58	63	63	63	63	50	33
Latvia	29	29	21	21	21	21	24	24	19
Lithuania	30	29	25	20	17	18	20	20	19
Hungary	30	38	34	31	28	28	30	28	23
Poland	30	29	21	27	25	25	19	19	18
Romania	55	50	49	47	39	44	44	44	35
Slovakia	47	55	41	49	47	30	30	26	22
Slovenia	40	37	27	28	27	27	27	21	20

\* 0-30 = free, 31-60 = partly free, 61-100 = not free

Source: Freedom House (2003b)

At the beginning of 2003 the European Commission emphasised that in Croatia a reform of the Media Law was important for progress in the area of freedom of speech. This refers primarily to forestalling political meddling and to increasing transparency, in the sense that information in the possession of governmental bodies has to be accessible to the press, unless it is state secrets that are concerned. The new Media Law was passed in the middle of October 2003 (NN 163/03), and the Right of Access to Information Law is in preparation.<sup>xiii</sup>

## Corruption

Although in the 1960s corruption was held to be a potential contributor to economic development, today the idea that it holds development back prevails.<sup>xiv</sup> The dangers from widespread corruption are particularly great in countries in which the state has a major role in the economy (accounts for a high proportion of GDP) and in countries which do not have a long tradition of good public administration. This can best be seen in the example of the transition countries where some research has shown that corruption there is considered the second most important barrier to the work of investors (Brunetti et al., 1997: 24).<sup>xv</sup>

The Transparency International Index (CPI) ranks countries according to the degree of the perception about the spread of corruption among members of the civil service. Data for Croatia are available only for the 1990-2003 period; the results got better up to 2001, and after that declined (Table 4). In 2003 the perception about corruption was twice as high as in the EU, and about at the level of the candidate countries, except for Slovenia, Hungary, Lithuania and Estonia. Romania had the highest perception of corruption. It is interesting that up to 2002 the corruption perception was rising in the Czech Republic as in Greece; and then, in 2003, both countries experienced a slight improvement. Poland is the only country with a constant rise in the perception of corruption. Greece and Italy (CPI in 2003 was 5.3) best show that membership of the EU in no way eliminates the problem of corruption.

The European Commission Croatia Report (MEI, 2003c:5-6) concluded that opening shots had been fired in the fight against corruption, which comprehended all parts of the administration, but it was necessary to reinforce concrete measures for its suppression. The Parliament adopted a Programme for the Suppression of Corruption and a Law for the Office for the Suppression of Corruption and Organised

Crime (commonly known by its abbreviations as USKOK)<sup>xvi</sup> and ratified the Criminal Law Convention of the Council of Europe. Although the USKOK Law is harmonised with international standards, the problems of its enforcement remain. Personnel problems have not been entirely settled, there is a shortage of funds and equipment, and there are not separate prosecutors for corruption cases. The effectiveness of USKOK has been in general low. The national programme of the Republic of Croatia for the accession to the EU (Vlada RH, 2002) stressed the role of the Obligations and Rights of Government Officials Law (NN 101/98) in anti-corruption activities, because it defines the matter of private and business conflicts of interests. And then in October 2003 the Prevention of Conflicts of Interests in the Performance of Public Office Law was passed (NN 163/03). The opposition vainly resisted a government amendment according to which an official does not have to transfer management rights in a firm if he or she has fewer than 25% of the shares or equity in the firm. Graph 3 shows that control of corruption in Croatia is much lower than in the EU, but that things are getting better, at least with respect to catching up with the CE5 countries.

*Table 4 Corruption Perception Index*

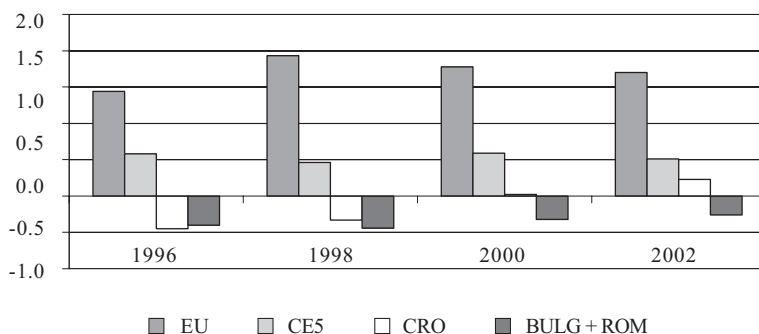
Country	1996	1997	1998	1999	2000	2001	2002	2003
Greece	5.0	5.3	4.9	4.9	4.9	4.2	4.2	4.3
Portugal	6.5	7.0	6.5	6.7	6.4	6.3	6.3	6.6
Spain	4.3	5.9	6.1	6.6	7.0	7.0	7.1	6.9
EU average	7.3	7.6	7.6	7.6	7.6	7.5	7.6	7.7
Bulgaria	...	...	2.9	3.3	3.5	3.9	4.0	3.9
Czech Republic	5.4	5.2	4.8	4.6	4.3	3.9	3.7	3.9
Estonia	...	...	5.7	5.7	5.7	5.6	5.6	5.5
Croatia	...	...	...	2.7	3.7	3.9	3.8	3.7
Latvia	...	...	2.7	3.4	3.4	3.4	3.7	3.8
Lithuania	...	...	...	3.8	4.1	4.8	4.8	4.7
Hungary	4.9	5.1	5.0	5.2	5.2	5.3	4.9	4.8
Poland	5.6	5.1	4.6	4.2	4.1	4.1	4.0	3.6
Romania	...	3.4	3.0	3.3	2.9	2.8	2.6	2.8
Slovakia	...	...	3.9	3.7	3.5	3.7	3.7	3.7
Slovenia	...	...	...	6.0	5.5	5.2	6.0	5.9

*\*CPI (Corruption Perception Index) defines corruption as the use of state position for private use; it ranges from 0 to 10, with 10 meaning the absence of corruption.*

*Source: Transparency International (2003)*



Graph 3 Control of corruption



Source: Kaufmann [et al.] (2003:104-106)

When recruitment into the civil service depends on political connections, there is an increased danger of corruption, because the officials have a smaller incentive to stay clean. In this case it is essential to know “whom they serve” and not how successful they are in the performance of their work (Kaufman et al., 2002:4). Accordingly, meritocratic recruitment contributes to the suppression of corruption. This should be borne in mind in the case of Croatia because research has shown that political influence in recruitment to the civil service is greater in Croatia than in the CE countries, and even than in Bulgaria and Romania (Hellman et al., 2000). This was particularly expressed in the early 1990s, when political criteria were crucial not only for hiring but also for promotion (Koprić, 2002:1288).

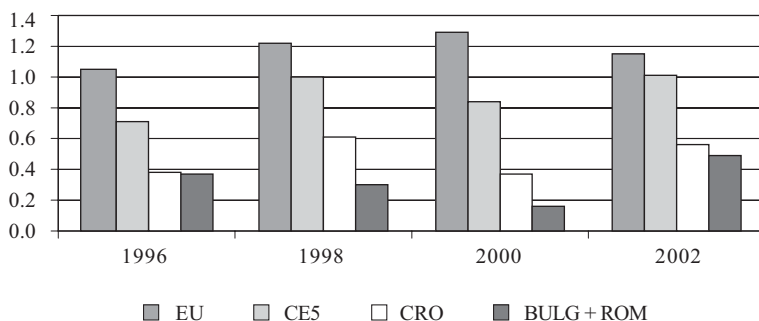
Pay rises in the civil service might reduce corruption, but to a limited extent. The first line of defence has to be internal control together with the existence of an ethical code (Tanzi, 1998:575). Of course, if leading officials do not set an example with their own behaviour, those employed in the civil service can hardly be expected to behave differently. Corruption is not a crime of passion, but a calculated act, the consequence of the conditions that have created the possibility for it to come into being. Incorrupt civil servants and citizens are not obtained by genetic engineering, by the much-touted *change in mentality*, but by the different definition of incentives within the system in which they work.

## Political stability

The political stability indicator is used by Kaufmann et al. (2003) to evaluate perceptions about the likelihood of destabilisation or the overthrow of the government in some unconstitutional or violent way. Changes in government can have a direct influence on political continuity, but in the same way can reduce the chance of citizens peacefully electing and changing those in power. Political instability has a negative effect on economic growth because it increases the risk of investment. Graph 4 shows that political stability in Croatia is lower than in the EU, but that the gap is not all that great in comparison with other elements of governance.

Political stability can be looked at via the fragmentation of the political scene as well, the clarity with which the political parties are profiled. From this point of view political stability in Croatia is quite small, and hence it is essential that there should be administrative stability, so that frequent changes of officials in power should not have too much effect on political continuity.

*Graph 4 Political stability*



*Source: Kaufmann [et al.] (2003:92-94)*

## The state of affairs in the civil service

The objective of this paper is not to give a comprehensive analysis of the Croatian public administration because this would exceed the constraints of the study. Instead of this, a short comparison with other

countries is offered and the points of vulnerability of the Croatian public administration are identified.

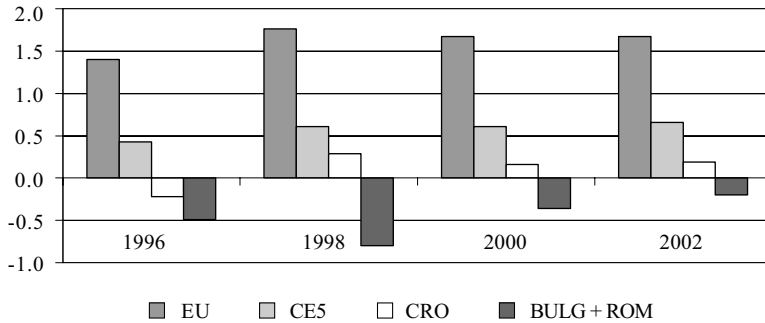
The following can be stated as being within the purview of the Croatian public administration or civil service: direct enforcement of the law, carrying out administrative and inspection control and other administrative and professional matters (Vlada RH, 2002). The bodies of the public administration comprise the ministries, civil service organisations and county offices as well as the city offices of Zagreb. In these bodies, officials of the public administration and other employees attend to the matters of public administration. The officials carry out the matters from the statutorily defined jurisdiction of the body in which they work, and other employees carry out ancillary and other matters. The situation in the public administration at a local level requires a separate analysis and hence is not the subject of this paper.

## **Comparison with other European countries**

The degree of success of the public administration can be defined in numerous ways, but there is no single indicator to quantify it and thus make possible a comparison among different countries. If we were to review it only from the aspect of economic growth, then data about the corruption of officials and efficiency in dealing with investors (number of regulations, time needed to set up a firm, costs of new starts)<sup>xvii</sup> would all be important. In this paper, however, the public administration is largely considered with the aim of improving its capacities to carry out its tasks within the EU effectively and hence a description of it is made with broad strokes.

The given governance indicators cover the perception of the work of the public administration. The problem here is that there is no conceptual distinction made among the terms: government, state, bureaucracy and public administration, the result being that the indicators are fairly confused. Thus, for example, the indicator “effectiveness of government” combines perceptions about the quality of the provision of public services, the quality of the bureaucracy, the competence of civil servants, the independence of the civil service from political pressures and the credibility of the state in carrying out its policies (Kaufmann et al., 2003:3). In Graph 3 the big gap between the countries of CE Europe and the EU can be seen; Croatia itself is in a slightly better position than Bulgaria and Romania, with the provision that progress over the years has been little and even negative.

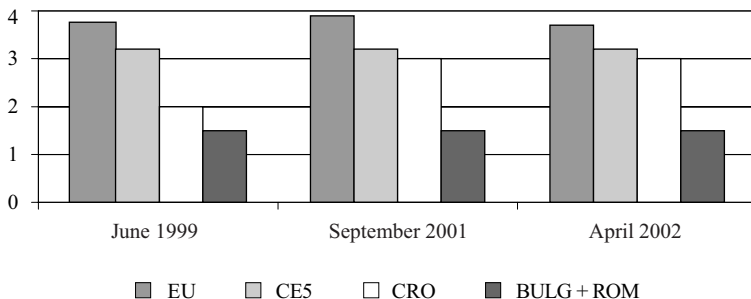
Graph 5 Government effectiveness



Source: Kaufmann [et al.] (2003:95-97)

The commercial agency Political Risk Services Group formulated an indicator called “quality of bureaucracy” that assesses the expertise and competence of governance without drastic changes in policy, independence of political pressure and the existence of a regular mechanism for hiring and further training (PRS, 2003). According to this indicator, Croatia is ranked fairly high vis-à-vis the EU, but has to be taken with a deal of caution because these are monthly data involved (Graph 6), and it is at odds with the results of the earlier mentioned research about recruitment in terms of political acceptability.

Graph 6 Quality of bureaucracy



\* Value of indicators ranges from 0 to 4

Source: PRS (2003)

## **Vulnerability of the Croatian public administration**

Modern societies assume a public administration that is professional, socially accountable, independent from political influences, open to the public and effective. The Croatian public administration is not perceived as such. "Citizens consider the administration distant, formal and corrupted, the media subject it to constant criticism. It is not perceived as professional and unbiased, but riddled with connections and the exchange of friendly services. It is expensive. The people in the administration do not get there because of professional criteria and are not promoted according to expertise and performance" (Ured za strategiju razvitka RH, 2001:7). According to public opinion research (IDEA, 2003), the biggest problems that Croatia is faced with are: unemployment, corruption and poverty. Crime and the legal system occupy the 4<sup>th</sup> and 5<sup>th</sup> positions while an inadequate public administration is only in 13<sup>th</sup> place out of 20.<sup>xviii</sup>

The qualification structure of civil servants is improving, but it is still unsatisfactory. About 33% of the employees have degree-level qualifications, 15% some tertiary qualification, 49% secondary qualifications, and about 3% are unqualified (Vlada RH, 2002). Still, it is possible that the kind of knowledge obtained in tertiary level institutions is a greater problem than the qualification structure. The system for promotion is both automatic and free, but there is mainly automatic promotion, which lessens individual responsibility.

As in most countries, in Croatia people with university degrees are paid less in the administration than in the private sector (Bađun and Obadić, 2003:18), which reduces motivation and increases the likelihood that the most competent will depart. Although lower wages are partially compensated for with lower stress than that experienced by managers in the private sector, there is a shortage of additional motives to keep educated young people in the public administration.

According to the law, during their employment officials are bound to undergo further professional training, the organisation of which is in the jurisdiction of each body of government. The institutional framework has thus been established, but the problem is that this did not happen at the beginning of the 1990s and that the implementation of it has not been adequately coordinated among the bodies of the civil service, among which communications are in general not devel-

oped enough. It would seem that the Ministry for European Integration (MEI) has put much more into the training of employees than the other ministries, but it is worrying that it also has the greatest turnover of employees.<sup>xix</sup> After they have obtained training and experience, young people move to the private sector. The problem of human potentials will be still greater because it is realistic to expect that the best will leave for Brussels, leaving the Croatian public administration with personnel that are not qualified enough.

The basic regulation governing the rights, obligations, responsibilities and pay scales in the civil service is the Government Officials and Other Employees Law (NN 27/01).<sup>xx</sup> The EU did not implicitly require the introduction of this Law. The law contains the system for evaluating officials according to the criteria established by the minister in whose jurisdiction lie matters of the general administration. The rating comes annually and is entered into the “personal record”, grades ranging from unsatisfactory to particularly successful. However, it is somewhat absurd to see that in the law one of the “minor infringements” is “unjustified absence from work of one day” while on the other side little attention is paid to ethics. Similarly, the law says that job vacancies must be advertised in the Croatian Official Gazette and perhaps in a daily or weekly paper. Usually these invitations are open for a very short time and they are seen by a very small number of people, which increases the likelihood of lack of transparency and negative selection.<sup>xxi</sup> This only feeds the high degree to which the Croatian public administration is politicised.

The Ministry of Justice, Administration and Local Self-Government is institutionally responsible for control of the enforcement of the regulations governing the organisation and jurisdiction of the bodies of the government administration, but the impression is given that there is not any adequately developed culture for surveillance and assessment of the public administration at all levels.

As for organisation, there is clearly too large a number of ministries (19) and there is some overlapping of responsibilities. Merging and reviewing of the functions of some of the bodies of the public administration are necessary.

It can be expected that there will be a necessary rise in the share of budget spending for the public administration infrastructure, because of the new obligations related to membership. In the last few years this happened in Estonia, Latvia and Czech Republic, even in Sweden and Finland before accession. When this is put into the context of the per-

sistent claims that it is necessary to cut government spending, it is clear there will be problems.

One of the main points of vulnerability is the lack of appropriate organisation culture in the public administration and of certain values that ought to be interwoven with it. It is very difficult to break up the inheritance of clientelism and paternalism in which the administration has been focussed too much only upon itself. A culture of secrecy has been cultivated, favouring nepotism and arbitrariness, and citizens have always been made to feel subordinate in their encounters with the administration. It is disturbing that even today among the citizens resignation and scepticism prevail to do with any kind of reform relating to the government.

## REFORM OF THE PUBLIC ADMINISTRATION

In the European Commission's Second Annual Report about the SAA for 2003, it is stressed that "Croatia ought to pay particular attention to the strengthening of the public administration so that the appropriate ministries and other public bodies should acquire the position for the correct implementation of the many legislative reforms that Croatia has obligated itself to" (MEI, 2003c). It is also stated that the Government is probably incapable of pushing through reform of the administration since it is largely occupied with internal dissensions.

Although the Government is aware of the importance of reform, there is no clear short-term plan for its implementation, and there is no strong political will. Two years have elapsed since the "Public Administration" proposal in the *Croatia in the 21<sup>st</sup> Century* project, and the Government has still not adopted it. The emphasis is on the raising of the effectiveness of the system, effectiveness being taken to mean social accountability to the citizens (Ured za strategiju razvitka RH, 2001). In the agenda of the government for the 2000-2004 period, special attention was devoted to the administration: halting expansion,<sup>xxii</sup> horizontal decentralisation, increased rationality and efficiency (avoiding overlapping), and attaining qualifications for the process of harmonisation with the EU (Vlada RH, 2000). The sequel describes the experience of selected European countries in the reform of the public administration.<sup>xxiii</sup>

## European Union countries

The actual bureaucratic machinery in Brussels itself is not something to aim at, irrespective of the quality of the individuals that work there. For this reason it is better to look at individual EU countries. Since the 1980s, public administration trends in EU countries have been towards:

- opening up to the public;
- promotion according to additional criteria, not just seniority;
- transfer of some responsibilities to the public sector;
- decentralisation;
- introduction of financial motivation to the system (fees of different amounts according to how long the procedure lasts).

Each country has a specific public administration, and we shall mention here only the examples of the UK, Sweden, France and Germany, which are known for their good administrations, and of Spain before the accession.

The example of the UK best shows that even a 150 year long tradition of public administration does not guarantee immunity to reforms, because they go on all the time. The change of government in 1997 was a vivid illustration of the way this civil service works. In 24 hours, the ministerial changeover was effected, but those who had previously advised the Conservative government were still doing the same for the Labour government (Behrens, 2002). This shows that there is a fair amount of separation between politicians and civil service in Britain. The prestige of this public administration is derived from its professionalism, and not from the law about it, while its success is derived also from the powerful civil society that is actively involved in an assessment of its work.

In spite of the civil service in Sweden having a long history of experience in international cooperation, joining the EU was a dramatic change for it (Lindgren, 2002). The basic action of the Swedes on this occasion was to make their civil service every bit as professional as those in other member countries in order to achieve the maximum of benefit for their own country within the EU. On accession, the obligations were 50% greater, and the resources considerably smaller. A specific feature of Sweden is the small size of ministries, since there are semi-independent agencies for the implementation of policy in which



the largest number of civil servants are employed. Since 1994 (the year before accession) the Forum Europe has been at work; this is a body within the government charged with the professional further training of civil servants.

After World War II, France realised the need for a new and different public administration. Leading French statesmen realised that a job in the civil service required specific kinds of knowledge, and for this reason in 1945 the *Ecole nationale d'administration* (ENA) was set up – an educational institute run and controlled by the government (Šimac, 2002:50-60). Today ENA is one of the leading tertiary level educations concerning public administration in the world. Education at ENA lasts about two and a half years and consists of a study part and one year's practical work.<sup>xxiv</sup> There is an entrance procedure to get into ENA, for which every year from 10 to 20 candidates apply for every place.<sup>xxv</sup> All the candidates accepted automatically enter the civil service and obtain a corresponding salary (ca 8,000 francs a month). During their practical work and study the candidates are constantly being evaluated, and the order is regularly published. This order is essential for their future career, for those at the top of the list have the right to choose the job that the administration is currently offering. It is interesting that President Chirac is himself a former student of ENA. It is criticised for having become a school of the “snappy and self-satisfied Parisian bourgeoisie” because the share of candidates from well-to-do families comes to about 65% (Šimac, 2003:61). Apart from that, the need for in-service training of civil servants is neglected.

The institutionalisation of the administration in Germany goes back to 1794 and the Prussian “general law” (Derlien, 2003). It can be said that in Germany the civil service preceded democracy, which had a permanent effect on the separation of politicians from civil servants. In spite of some changes, it can be said that the public administration in Germany is still founded on Weber's principles of bureaucracy.<sup>xxvi</sup> It is marked by high professionalism, strict organisational hierarchy, employment according to merit, promotion by objective criteria of professionalism, neutrality in the provision of public services, and security of employment. The German specific feature is that all improvements in the public administration have been generated within the service, not as a result of political pressure.

From the beginning of the 20<sup>th</sup> century, Spain endeavoured to adjust the always insufficiently flexible structure of its public administration to the rapid and sometimes radical changes in its society. In

1984 (two years before accession) a law concerning the reform of the administration was passed, but it was subject to sharp criticism from the public because of the poor technical performance and problems in the application (Subirats, 1990). In 1986 the Ministry for Public Administration was set up, and in 1987 the law concerning the public service was passed. The basic aim was to change the administration from being that which “regulated life” to one that was subordinate to results and serving the public. A great gap was felt between the tasks to be done and the old methods of management used in the public administration. Particular attention was devoted to human resources – to attracting and retaining qualified personnel; an inspectorate for the services of the public administration was set up, its purpose being to improve its work through constant assessments and evaluation. The main barriers to reform were: (1) the impression among the civil servants that this was “just another reform”; (2) resistance of the unions; (3) departure of highly ranked officials for the private sector; (4) shortage of NGOs to demand changes in the public sector; and (5) political instability. The situation with reform of the Spanish administration before accession recalls that in Croatia.

From the example of these countries it can be seen that the process of reform and modernisation of the public administration is an ongoing one, and that it is never simple, even in highly developed countries. Still, however much reform of the administration might seem imperfect, painful and expensive, it is not less ruthless than the methods used in market competition (Pusić, 1999:241).

## **The candidate countries**

In earlier years of the transition of the countries of CEE, the basic method for reform of the public administration was to cut the number of employees and cut wages to achieve fiscal savings (UNDP, 2001:1), without paying much attention to the consequences in terms of quality. Looking at the results of public administration reforms in these countries, it can be said they are not totally satisfactory, but that some kind of general progress has been made. At the beginning of the 90's, these countries were suddenly in the situation of having too few and too many civil servants. On the one hand they were hampered by the communist heritage of the bureaucratic machinery, and on the other the need for the development of a modern administration had arisen.

This kind of civil service needed to be different from the inherited structure in that it was freed from external influences – political parties, business and regional lobbies, and had a transparent hiring system.

The basic problems of the public administrations of the transition countries are the following:

- the legislative framework is centred too much on details and has retained the bad structure of promotion based mainly on years of work experience;
- not enough attention is devoted to ethics;
- it is not clear who is charged with surveillance of the public administration;
- pay policy is such that many employees went off into the private sector; in Estonia and Czech Republic, for example, highly positioned managers earn 6 to 10 times the amount in the private sector than in the civil service (Nunberg, 2000:13);
- there is not a precise enough recruitment system;
- the countries do not have an education system to apply to the whole of the public administration, and not only to the part of it that is in charge the most for European integration.

According to research into the opinions of civil servants and politicians in Estonia, Lithuania, Poland and the Czech Republic, the first step in the reform should have been depoliticisation – the separation of the administration from politics (King et al., 2002).

*Poland* adopted a public administration law back in 1997, according to which some of the places in the public administration were defined as the civil service. For the transition, certain qualifications and examinations were required. The new version of the law was adopted in 1998 (after the change of government), and it has to be said that on paper it looks good because it contains the elements that should lead to improvements in the work of civil servants (O'Dwyer, 2002:29). However, from the time the second law was passed, only 560 of the 110,000 employees employed in the public administration met the conditions to be part of the civil service. The rest are part of the newly formed “state body”, which is nothing but a change of name and a leaving of the opportunity for protection in employment and promotion. Most do not want to go to the civil service, because the advantages are slight and the dangers unknown. Alongside this law, in 1991 Poland formed the National School of the Public Administration.<sup>xxvii</sup> At the

beginning it excited great interest and enthusiasm but in time it lost its character and its influence was minimal. Too few people graduated from it for them to be able to bring about any changes, only 400 of them in 10 years. In addition, the ability to get employed in the public administration depended on various politicians. The biggest problem was the inimical attitude of the remainder of the service, which perceived them as a threat, as outsiders who belonged nowhere. The example of Poland best shows that laws are not enough if political pressures are not eliminated.

In *Slovakia* the law on the civil service was adopted in 2001, but from talks with those employed in the public administration the opinion emerges that this law was only a formality necessary for satisfying EU requirements. That is, the law only fixed the existing positions of those employed in the public administration and institutionalised protectionism (O'Dwyer, 2002:31).

In the *Czech Republic* the many necessary steps have not been taken, but at least the situation has not deteriorated because of badly implemented reforms. The law on the civil service is about to be passed; they are thinking about setting up an Institute for public administration and local self-government<sup>xxviii</sup> and an ethical code is being worked out (EPF, 2002). Nevertheless, there are still regular complaints from the European Commission about the public administration in the Czech Republic.

## CONCLUSIONS AND RECOMMENDATIONS

The comparison of the quality of governance in Croatia, the EU and in selected candidate countries shows, unfortunately, that governance constitutes a considerable barrier in the accession of Croatia to the EU, as well as to the achievement of economic and social development. In terms of all the selected governance indicators, Croatia lags behind the average of the EU and the CE5 countries; this is particularly prominent in the area of rule of law. However, what is positive is that all the indicators have been slowly improving in the last few years; the only suspect element of governance in this point of view is government effectiveness. This just shows that it is necessary to fix one's gaze on the public administration as one of the potentially weakest links in the institutional development of the country. A poor public administration in combination with a low level of rule of law is probably one of the greatest hurdles in the way of European integration. If certain rules and

standards that will encourage civil servants of whatever rank to achieve the general aims and limit them in their arbitrary actions do not exist, they will become increasingly opportunistic. Without the rule of law, primarily of an effective judiciary, it is impossible to exercise surveillance over those in charge of policy, there is no legal framework necessary for the development of civil society, and a setting is created that does not promote economic development.

Public administrations change, because the society changes too. However, the society always changes faster. The aim is not to create a given structure for the public administration and then to cement it. The experience of highly developed countries with good civil services shows that reforms are going on all the time. Reform of the public administration cannot be separated from reform of the government, its role and function. There is bound to be resistance from threatened interest groups, but it is possible to handle it with good public support for the reforms.

## Recommendations

- *Strengthening the rule of law.* On this depends the success of all other reforms. It is necessary to put into action the recently adopted judicial reform strategy with the assistance of a concrete action plan and to reduce the number of backlogged cases; to carry out a program for training the judges and prosecutors and other court personnel.
- *Depoliticisation of the public administration.* The first move in the reform of the public administration should be to depoliticise it, which is achieved by recruitment according to merit (education and checks of knowledge) and not political connections. One of the solutions for the depoliticisation is to found an independent agency charged with recruitment in the public administration and in general the management of human resources. An alternative is to found a body within the Government that would be charged with this task, with the provision of the possibility of court appeals against decisions related to hiring. Beside this the foundation of an institute for the training of state officials should be considered.
- *Opening up towards the public.* Like a person of good reputation, the government should not hide anything. Vigorous involvement of members of the public in the work of the public administration will be difficult; it is something that has not been totally mastered anywhere in the EU. Citizens should be deemed authorised to receive information about the work of the administration; civil society must develop into

a powerful control mechanism on the work of the public administration and be its associate. The increase of transparency necessarily also requires a greater freedom of the media. This will likely be assisted by the new Media Law, but there is still no Access to Information Law.

- *Increased motivation of civil servants for their work.* The motivation of the employees has a great role in the improvement of the work of the public administration. It must not happen that the government pretends to pay its workers and they in return pretend to work. If wages are given that are comparable with those in the private sector for the same level of responsibility and skills, the best staff will be retained. Since the budget puts constraints on the desired level of expenditure for the pay of employees in the public administration, additional motivation is required to keep the young and highly educated in the civil service. The public administration must not be perceived as a springboard for a career in the public sector; a job in the civil service should be a matter of prestige.
- *Additional criteria for promotion in the civil service.* Promotion must not be based only on years of work (which is predominant in Croatia) but on performance at work, for which constant evaluation of the employees is required, caution being exercised to make sure this does not turn into an instrument for the involvement of politics. As additional stimulus, selective pay rises can be introduced.
- *Suppression of corruption.* With good incentives, the desire to receive bribes diminishes. Although the first steps to do with the suppression of corruption have been taken in Croatia, more vigorous measures must be taken to step up progress in the area, and it is necessary to make the results as visible as possible to the public.
- *Development of a new culture among civil servants.* It is necessary to set up new values and attitudes among those working in the public administration - to create a new culture. Civil servants should be more public-oriented and more interested in results, which can be achieved with stimuli that are not related to pay, such as public recognition and awards. It is also necessary to test public opinion about the civil services in an ongoing way.
- *Education and training.* Training must not be directed only at the MEI, but spread vigorously throughout the whole of the public administration. People are the key factor in the quality of the public administration.
- *Higher quality work from officials.* The quality of government officials should be an element complementary to the public administration.

tion, because after all a civil service can only be as good as the politicians and the objectives they set up. For the quality to improve, public pressure is crucial; the public has to insist that the politicians represent their interests. In addition, they need to be able to have further training, of the kind that ministers go through in the UK, for example. If nothing else, an environment of highly qualified assistants can be created.

- *Debureaucratisation.* It is possible to contribute to debureaucratisation by bringing in various prices for the same service, depending on the speed with which one wants it to be done. It would be good here if all forms were easily understandable to the members of the public and if they could carry out some of the formalities of the administration online.
- *Monitoring the quality of governance.* So as to be able to have ongoing monitoring of the quality of governance in all countries, including Croatia, it is necessary to do a lot of work on raising the quality of the governance indicators. This can be done primarily via in-depth and systematic research specially adapted to the given country.

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- <sup>i</sup> Although the World Bank set off the avalanche of research on the theme of governance, it cannot be said that no one had dealt with it earlier. The question of public administration and governing occupied many political philosophers. Thus for example the term *politeia*, in Plato, is close to the meaning of governance as defined by the World Bank.
  - <sup>ii</sup> For an additional explanation of the term governance, see: Ahrens (2002).
  - <sup>iii</sup> Jones (2002) instead of the term governance uses in a similar context the expression social infrastructure.
  - <sup>iv</sup> For the connection between governance and development see: Aron (2000); Basu (2002); Campos (1999); Dethier (1999); Kaufman and Kray (2002).
  - <sup>v</sup> Civil society includes all kinds of voluntary associations – social movements, the church, unions, professional associations, local communities, charitable associations, interest groups (Office for the Strategic Development of the Republic of Croatia, 2001:21).
  - <sup>vi</sup> These principles are: openness, participation, accountability, effectiveness, coherence.
  - <sup>vii</sup> The European Council in Madrid 1995 stressed the importance of administrative capacity as criterion for accession to the EU.
  - <sup>viii</sup> Article 75 of the SAA (Strengthening Institutions and the Rule of Law) relates to governance and public administration: “In cooperation within the sphere of justice and home affairs, parties shall give special attention to the consolidation of the rule of law and to the strengthening of institutions at all levels in the general area of administration, especially in the implementation of justice and in applying judiciary mechanisms. Cooperation in the sphere of justice shall focus primarily on the independence of the judiciary, the improvement of its efficiency, and further education within the field of law”.

- ix *The execution under the leadership of an international consortium began in November 2002 and is planned to last for 21 months.*
- x *CE5 consists of Czech Republic, Hungary, Poland, Slovakia and Slovenia.*
- xi *In the making of all graphs except for Graph 6, data from Kaufmann et al. (2003) are used. Since the methodology of aggregating indicators is fairly complex, this paper can be recommended for more information.*
- xii *It can be stated for certain that democracy has a positive effect on economic growth, but it is an essential element in social development.*
- xiii *In October 2003, the opposition in parliament was against this law being passed by the urgent procedure.*
- xiv *Corruption increases transaction costs, and reduces investment.*
- xv *The questions can be asked if the real problem lies in corruption or in the size of the administrative barriers that breeds corruption.*
- xvi *NN 88/01, Amendments to the Law, NN 12/02.*
- xvii *For more on this see: Bađun and Obadić (2003).*
- xviii *According to this research, inadequacy of the public administration can be seen in its doing its work slowly and incompetently.*
- xix *Since 1998 the Government has given scholarships for post-graduate studies abroad to get quality civil servants. In addition, MEI is doing a cycle of seminars called "ABC of Europe", one of the ways of training civil servants.*
- xx *There is a special category of government officials, i.e., politically appointed civil servants, whose rights are regulated by a special Law concerning the Obligations and Rights of government Officials (NN 101/98). The many changes to this law are published in NN 101/98, 135/98, 105/99, 25/00, 73/00, 131/00, 30/01, 59/01, 114/01, 153/02).*
- xxi *According to sociologist Max Weber (1968) a civil service founded on employment by merit and lucrative careers for civil servants is one of the fundamental institutional bases for capitalist growth.*
- xxii *An attempt will be made to avoid the foundation of new administrative organisations and the hiring of new civil servants.*
- xxiii *For more information about the reform of the public administration in general see: Šimac (2002).*
- xxiv *Course work includes such areas as public law, economics, international relations, public finance, social policy, governance, EU law, globalisation, demography, and computer science.*
- xxv *The entrance exam consists of an eliminatory written and then an oral part. The written exams (checks of knowledge of economics, public law, general culture and one optional) last 5 hours, and the papers are handed in under conditions of strict anonymity.*
- xxvi *In this context the word bureaucracy does not have any negative meaning, but relates to a specific form of the organisation of the public administration.*
- xxvii *Krajowa Szkoła Administracji Publicznej.*
- xxviii *The negative side of the founding of such an institute is the creation of a close elite that is likely to create a monopoly on the making of decisions about the functioning of the public administration. If such an institute is located in the capital, then the marginalisation of the regions can occur too (O'Dwyer, 2002).*



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